

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION OF)	
SUEZ WATER DELAWARE INC. FOR A)	
GENERAL INCREASE IN RATES AND FOR A)	PSC DOCKET NO. 16-0163
REVISION TO ITS GENERAL TARIFF)	
(FILED FEBRUARY 5, 2016))	

DIRECT TESTIMONY OF

JOSHUA BOWMAN

ON BEHALF OF THE STAFF OF THE

DELAWARE PUBLIC SERVICE COMMISSION

NOVEMBER 18, 2016

1 **Statement of Qualifications**

2 **Q: Please state your name and the name and address of your employer.**

3 A: My name is Joshua Bowman. I am employed by the Delaware Public Service
4 Commission (the “Commission”). My business address is 861 Silver Lake
5 Boulevard, Suite 100, Dover, Delaware, 19904.

6
7 **Q: What is your position with the Public Service Commission?**

8 A: I am a Public Utility Analyst with the Commission.
9

10 **Q: As an analyst with the Commission, what is the general nature of your**
11 **duties?**

12 A: Apart from being an analyst for this proceeding, I serve as a team member or
13 case manager for various Commission dockets which include rate case
14 applications, Water Certificate of Public Convenience and Necessity
15 applications, Distribution System Improvement Charge applications, merger
16 and / or transfer of control applications, and other various tariff change requests.
17 I also examine and monitor the monthly, quarterly, and annual financial reports
18 of Artesian Wastewater Management, Inc. and Tidewater Environmental
19 Services, Inc. I prepare reports and schedules in other proceedings, make
20 written recommendations to the Commission, and perform other related tasks
21 as assigned.

22
23 **Q: What is your professional experience and education?**

24 A: I received a Bachelor’s Degree in Mathematics from the University of Delaware
25 in 2009. I also received a Master of Business Administration from Wilmington
26 University in 2014. I have been employed with the Commission since June
27 2015.

28
29 **Q: For whom are you testifying in this proceeding?**

30 A: I am testifying on behalf of the Commission Staff (“Staff”).
31

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to present Staff's review and recommended adjustments to certain operating expenses claimed by SUEZ Water Delaware Inc. ("SWDE" or the "Company") for ratemaking purposes.

Q: What was your specific assignment in this case?

A: The expenses and matters that I was assigned to review were purchased power, chemical cost, the sewer connection expense, depreciation expense, and the Meter Testing and Replacement Program.

Q: Is Staff proposing any adjustments to SWDE's purchased power expense?

A: Yes. In its application, SWDE proposed an adjustment to the purchased power expense of (\$78,554). This adjustment was later changed to (\$75,308) after actual test period costs were updated. SWDE's proposed adjustment included an increase of 3.7% for electric charges. Of this 3.7%, 1.7% is from an increase in third-party electric supply from \$0.060 to \$0.061 per kWh. The remaining 2% is for estimated increases to Delmarva Power & Light Company's electric delivery rates, which request is currently pending before the Commission in PSC Docket No. 16-0649. Since the electric rate case is still ongoing and neither a settlement nor a final Commission order have been entered, Staff recommends that the estimated 2% increase be removed. Furthermore, the Company has executed contracts for electric supply for the year 2017 at a weighted average cost of \$0.055 per kWh. (See Schedule JAB-7) This would represent an 8.3% decrease from the test year price of \$0.060. Based on how the Company calculated the test period increase of \$42,516 of simply taking 3.7% of the test period purchased power expense of \$1,149,087, and by applying that same method of calculation using an 8.3% decrease in supply cost and a 0.00% increase in delivery costs, Staff recommends a downward adjustment of (\$95,374) instead of the upward adjustment of \$42,516. Furthermore, as Staff witness Dave Peterson mentioned in his testimony, the continued use of the DuPont/Edgemoor facility should not be simply ignored.

1 With Mr. Peterson's recommended addition of 100,854 MG of water, Staff is
2 recommending a purchased power adjustment in the amount of \$21,496.
3 Therefore, Staff recommends SWDE adjust its claimed purchased power
4 expense downward by an additional \$98,969, resulting in a total purchased
5 power expense adjustment of (\$174,277). (See Schedule JAB-1)

6
7 **Q: Is Staff proposing any adjustments to SWDE's claimed chemicals expense?**

8 A: Yes. In its Application, SWDE proposed an adjustment to the chemicals
9 expense of (\$33,339). This adjustment was later changed to (\$35,499) after
10 actual test period costs were updated. SWDE's proposed adjustment includes
11 an increase of \$77,685 in what the Company refers to as "merely an anticipated
12 increase." (See Schedule JAB-8) Since "merely an anticipated increase" is not
13 a known and measurable amount, Staff recommends that the anticipated
14 chemical cost increase of \$77,685 be removed. For the same reason as
15 mentioned in Staff's purchased power expense adjustment, the chemicals
16 expense needs to be adjusted to account for the continued water use of the
17 DuPont/Edgemoor facility. To account for this continued use, Staff is
18 recommending an adjustment in the amount of \$17,609. Therefore Staff
19 recommends SWDE adjust the Chemical Cost expense downward by \$50,236
20 for a total chemical cost expense adjustment of (\$85,735). (See Schedule JAB-
21 2)

22
23 **Q: Is Staff proposing any adjustments to SWDE's claimed sewer connection**
24 **expense?**

25 A: No. The Company has eliminated the sludge press and has replaced the current
26 sludge removal process by connecting to the New Castle County Sewer system.
27 The adjustment proposed by SWDE for this cost item seems reasonable.

28
29 **Q: Is Staff proposing any adjustments to SWDE's claimed annual**
30 **depreciation expense?**

1 A: Yes. The Company included in its October updated filing, an increase in
2 depreciation expense of \$348,474. (See Schedule 2A-1 of SWDE's Minimum
3 Filing Requirements filing, dated October 11, 2016) In reviewing SWDE's
4 depreciation expense determination, Staff found that the depreciation rates that
5 were approved by the Commission in the Company's last rate case, PSC Docket
6 No. 10-421, do not match the depreciation rates that SWDE used in calculating
7 Schedule 2A-1. After replacing the depreciation rates included in SWDE's
8 Schedule 2A-1 with the rates approved by the Commission in Docket No. 10-
9 421, along with the removal of ineligible Plant in Service – Meters, Staff
10 determined that the depreciation expense increase should be \$54,830.
11 Therefore, Staff recommends that SWDE's determination of its annual
12 depreciation expense be adjusted downward by \$293,644, for a final net
13 adjustment of \$54,830. (See Schedule JAB-4)

14
15 **Q: You mentioned that you reviewed the Company's Meter Testing and**
16 **Replacement Program. Can you please describe the PSC's Regulated**
17 **Water Utility meter replacement program?**

18 A: All regulated water utilities in Delaware are required to implement a program
19 for the meter testing to ensure their accuracy either according to the schedule in
20 Section 4.2.4.1 or a Commission-approved plan described in Section 4.2.4.2 of
21 the *Minimum Standards Governing Service Provided by Public Water*
22 *Companies*. When a water utility tests its meter, the meter is pulled, replaced
23 by a new or recalibrated meter, and tested according to the regulation or its
24 Commission-approved plan.

25
26 **Q: Is there an issue with SWDE's current meter replacement program?**

27 A: Yes. SWDE changed its current meter testing and replacement program without
28 seeking Commission approval. In October, 2000, United Water Delaware, Inc.
29 ("United Water"), now known as SWDE, filed a request with the Public Service
30 Commission for a waiver of the meter testing procedures under Section 4.2.4.1
31 of the *Minimum Standards Governing Service Provided by Public Water*

1 Companies. United Water filed this request because water meters that the
2 Company was purchasing at that time maintained their accuracy for a longer
3 time period. In addition to granting the waiver, Staff reopened PSC Regulation
4 Docket No.13 to add Section 4.2.4.2, “The periodic testing of a random
5 sampling of particularly-grouped meters under a meter testing plan submitted
6 by the utility and specifically approved by the Commission. Such a plan may
7 apply to the testing of all sizes of meters or meters of a particular size. The
8 sampling procedures in any such plan shall be sufficient to ensure confidence
9 in the accuracy of the meters included in the group represented by the sample.
10 With such plan, the utility shall submit sufficient information and data to
11 establish the ability of the sampling procedure to establish the accuracy of the
12 utility's meters. The results of testing under any such approved plans shall be
13 available to the Commission.” In reviewing United Water’s request, Staff
14 believed that other water utilities should have “the same opportunity to test
15 meters in accordance with a statistical sampling program if such meters did not
16 require such stringent testing” as described in Section 4.2.4.1. As a result,
17 Section 4.2.4.2 was adopted on December 11, 2001 in PSC Order No. 5847.

18
19 **Q: Was the Company asked if it had performed a cost benefit analysis for the**
20 **change in its meter testing and replacement program?**

21 A: Yes. Please see Data Request DR4. (See Schedule JAB-6)

22
23 **Q: What was the Company’s response to Data Request DR4?**

24 A: The Company stated that they did not perform a cost benefit analysis. Rather,
25 the Company decided to speed up the replacement program and to add radio
26 frequency devices to meters. The Company also provided a chart which listed
27 by year since its last rate case the total number of meters replaced, the number
28 of meters replaced per its approved meter replacement program, and the number
29 of meters replaced earlier than its approved meter replacement program.

30
31 **Q: Were any of the meter costs determined to be ineligible for replacement?**

1 A: Yes. Staff determined that the amount of \$3,015,849 should be deducted from
2 “Plant in Service – Meters”. (See Schedule JAB-5)

3

4 **Q: During the time period from 2011 thru 2016, did any of the meters**
5 **determined to be ineligible become eligible for replacement?**

6

7 A: Yes. However, from the information provided on DR-4, Staff was not able to
8 quantify that number of meters or their costs, and, therefore Staff determined
9 that all 11,140 meters are ineligible, as shown on Schedule JAB-5.

10

11 **Q: Was the amount of depreciation expense and accumulated depreciation on**
12 **the ineligible meters also determined?**

13 A: Yes. As shown on Schedule JAB-5, the amount of \$473,583 should be
14 deducted from accumulated depreciation and \$180,649 should be deducted
15 from the annual depreciation expense.

16

17 **Q: Do you have any recommendations concerning the Company’s future**
18 **replacement of its meters?**

19 A: Yes. If SWDE believes a change in its current meter testing and replacement
20 program is necessary, it should make a filing with the Commission for approval
21 of its proposed program and provide a cost benefit analysis of its proposal.

22

23 **Q: Does this conclude your testimony at this time?**

24 A: Yes, it does.